

PUBLIC DISCLOSURE

MARCH 5, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ALLCOM CREDIT UNION

**36 PARK AVENUE
WORCESTER, MA 01609**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **ALLCOM CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “ Satisfactory”

As a credit union whose membership is based upon affiliation rather than geography, AllCom Credit Union's CRA performance was evaluated using the three following performance criteria: (1) Average net loan to deposit ratio; (2) Distribution of lending to borrowers of different income levels; and (3) Fair Lending policies and practices. These factors were considered within the credit union's performance context.

The credit union has achieved an adequate loan to deposit (share) ratio of 58.7 percent. It has also demonstrated a reasonable distribution of loans among borrowers of all income levels. The credit union has demonstrated a satisfactory performance with regard to fair lending policies and practices. The distribution of lending to borrowers of all income levels was given the greatest consideration in the overall evaluation because it demonstrates the institution's record of helping to meet the credit needs of its entire membership.

PERFORMANCE CONTEXT

Description of Institution

AllCom Credit Union was incorporated in 1922 as the Central Massachusetts Telephone Workers Credit Union. The institution changed its name to AllCom Credit Union in September 2001. The credit union primarily serves the Worcester County employees and retirees of American Telephone and Telegraph (AT&T), Bell Operating Companies (Verizon), their affiliates and subsidiaries, and Bell Communications Research, Inc. (Bell Laboratories nka Lucent Technologies). In addition, any communications company within Worcester County, whose Board of Directors has approved membership in AllCOM for their employees are also considered part of the membership.

The credit union's main office is located at 36 Park Avenue, Worcester Massachusetts. While this office has a drive-up facility, the institution does not offer a proprietary ATM. However, the credit union began offering debit cards in September 2001. The debit card program offers members unlimited free point of sale/merchant transactions and 5 free ATM network transactions per month. AllCom Credit Union is a member of the SUM network, which allows cardholders of member institution to use the network free of surcharge. In addition, the credit union participates in the NYCE deposit taking program, which allows members to make deposits at any NYCE/SUM network ATM.

In January 2002, AllCom merged with Commonwealth Gas Employees Credit Union, which had 1,000 members and total assets of \$7.6 million. Since AllCom Credit Union is the larger of the two institutions, its name and charter are retained. AllCom Credit Union is temporarily operating Commonwealth Gas Employees Credit Union's office in Southborough.

As of December 31, 2001, AllCom Credit Union's Statement of Condition indicated total assets of \$36.2 million with total loans representing \$17.7 million or 48.9 percent of total assets. The following table details the composition of the credit union's loan portfolio.

Loan Portfolio as of December 31, 2001		
Type of Loans	\$'s (000's)	% of Total Loans
Residential Real Estate		
a. 1-4 Family Mortgages	5,139	29.1%
b. Home Equity Lines/Loans	2,707	15.3%
Consumer Loans		
a. Personal/Unsecured	1,777	10.1%
b. New & Used Auto Loans	6,141	34.7%
c. Credit Cards	1,452	8.2%
d. New & Used RVs.	326	1.8%
All Other Loans	142	0.8%
Total	17,684	100.0%

New and used auto loans comprise the largest segment (34.7%) of the loan portfolio. First mortgage loans secured by 1-4 family dwellings comprise the second largest segment (29.1%). Personal loans and credit cards (combined) and home equity lines/loans represent 18.3% and 15.3%, respectively of the loan portfolio.

Although the dollar volume of mortgage and home equity loans represents 44.4 percent of total loan volume outstanding, the credit union's lending philosophy and policy remains oriented towards the members' diverse credit needs. As of December 31, 2001, unsecured personal loans and credit cards (combined) and new/used auto loans numbered 1,158 and 696 loans, respectively. Based solely on the number of loans, these loan groups represented 88.1 percent of all the institution's loans outstanding.

The Division of Banks last conducted a CRA examination of AllCom Credit Union on August 17, 1998. This examination resulted in the institution receiving a "Satisfactory" Community Reinvestment Act (CRA) rating.

DESCRIPTION OF ASSESSMENT AREA

The Division of Bank's Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment areas within which the institution's record of helping to meet community credit needs is evaluated. The Division's CRA regulation further states that "a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area." AllCom

Credit Union's membership by-law provisions are based primarily on the employment/occupation of the members and consequently, serve as its assessment area.

AllCom Credit Union's by-law provisions state that membership shall be limited to employees or retirees of the credit union itself, the American Telephone and Telegraph Company (AT&T), the divested Bell Companies and their subsidiaries, the Bell Communications Research, Inc (Bell Laboratories NKA Lucent Technologies) and any of the above companies' affiliates that have places of business within Worcester County. In addition, the membership by-law includes any communications company located within Worcester County whose Board of Directors has approved credit union participation for its employees. Family members of eligible employees/retirees are also included in the membership provisions.

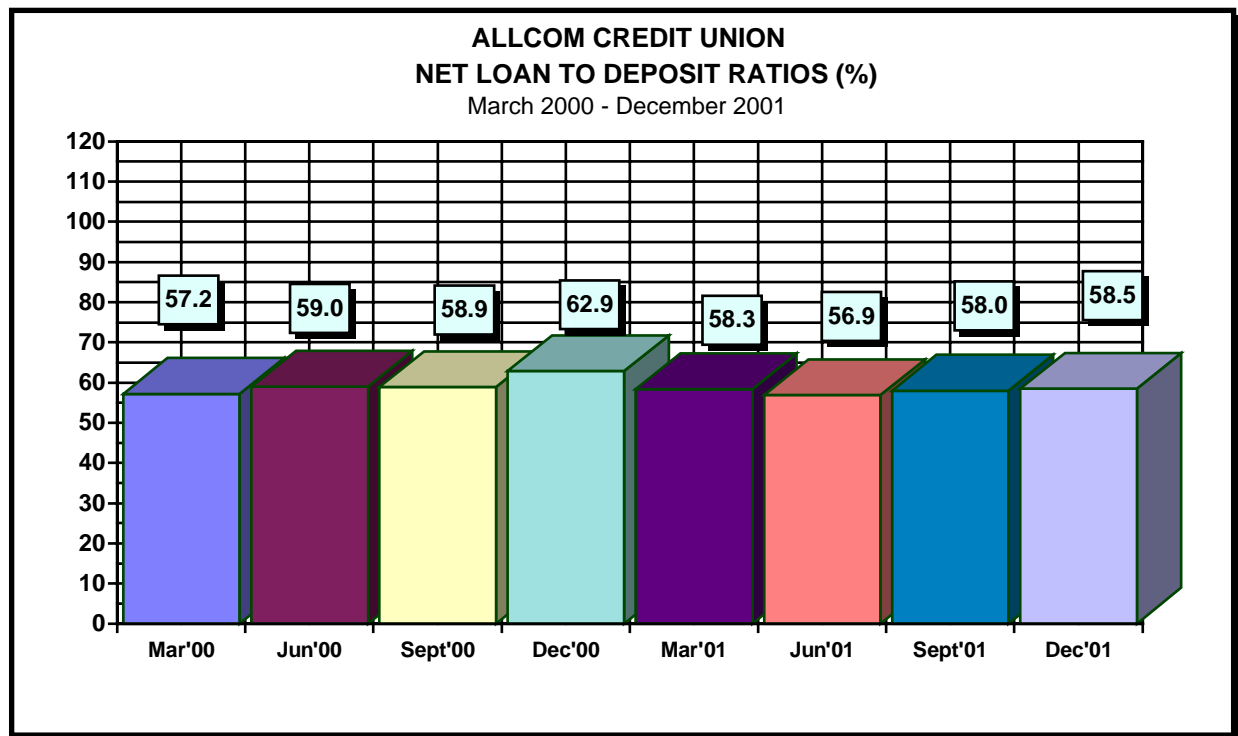
As of December 31, 2001, AllCom Credit Union had 3,442 members. These members are primarily drawn from AT & T, Verizon and Lucent Technologies' employees and their family members.

The location of the credit union places it within the Worcester, MA-CT Metropolitan Statistical Area (MSA). The Worcester, MA-CT MSA area median Family Household Income (FHI) was \$54,400 for 2000 and \$57,000 for 2001.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This first criterion evaluates the average net loan-to-deposit or share ratio. The average net loan-to-deposit (share) ratio for AllCom Credit Union was determined to be 58.7 percent for the period from March 30, 2000 through December 31, 2001 based upon the Statements of Financial Condition reported to the National Credit Union Association. AllCom Credit Union's performance is considered reasonable given the institution's lending capacity and size. The following graph depicts the loan to deposit ratio levels and trends for the quarters reviewed.



The credit union's ratio of net loans to deposits increased in 2000 and then declined in 2001. The largest decline occurred in the quarter ending March 31, 2001. During 2000, loan growth of 16.0 percent combined with deposit growth of 12.8 percent, provided the increase in the ratio of net loans to deposits. However in 2001, deposit growth of 11.2 percent outpaced loan growth of 3.3 percent. Overall, the positive growth in loans indicates the institution's continuing efforts to extend credit to its membership.

The following table compares AllCom Credit Union's net loan to deposit ratio to four other financial institutions.

INSTITUTION	ASSET SIZE(Millions)	LOAN TO DEPOSIT RATIO*
Central One Credit Union	\$163.8	71.2%
Millbury Credit Union	\$158.5	72.5%
Grafton Suburban Credit Union	\$100.6	50.8%
Worcester Credit Union	\$62.1	73.9%
AllCom Credit Union	\$36.2	58.5%

Source: NCUA Call Report data 12/31/01.

AllCom Credit Union's average net loan to deposit ratio of 58.7 percent is reasonable and meets the standards for a satisfactory rating given the credit union's capacity to lend, its growth in lending activity and the credit needs of the assessment area/membership.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This criterion evaluates an institution's record of lending within a defined geographic assessment area. As stated above, Allcom Credit Union has identified its membership as its assessment area. Therefore no evaluation of geographic lending patterns was conducted.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This criterion evaluates the extent to which AllCom Credit Union lends to members of different income levels. The following analysis of borrower income distribution for used car loans granted in 2000 and 2001 demonstrates that the credit union's lending meets the standards for satisfactory performance.

The Worcester, MA-CT MSA area median Family Household Income (FHI) was \$54,400 and \$57,000 for 2000 and 2001, respectively. The borrowers' income levels are identified as the ratio of the applicant's income to the area median family income. These income levels are defined as low-income (less than 50% of the FHI); moderate-income (50 to 79% of median family income); middle-income (80 to 119% of area median income); and upper-income (120% or more of the area median income).

Consumer Loans

A sample of consumer loans from each year (2000 and 2001) was randomly selected (based on the total number of used car loans granted) to evaluate the distribution of consumer lending. The credit union granted 161 used auto loans totaling \$1.8 million in 2000 and 202 used auto loans totaling \$2.2 million in 2001. Of these, 44 loans were reviewed from 2000 and 39 loans were reviewed from 2001. The following table provides detail on the borrowers' income distribution for the loans sampled. Both number and dollar amount of loans are included.

Used Car Loan Originations by Borrower Income Levels												
Income Levels	2000				2001				Totals			
	#	%	\$000	%	#	%	\$000	%	#	%	\$000	%
Low	6	13.7	69	13.0	9	23.1	114	22.9	15	18.1	183	17.7
Moderate	14	31.8	144	27.0	9	23.1	109	22.0	23	27.7	253	24.5
Middle	14	31.8	196	36.7	14	35.9	176	35.5	28	33.7	372	36.2
Upper	10	22.7	125	23.3	7	17.9	98	19.6	17	20.5	223	21.6
Totals	44	100	534	100	39	100	497	100	83	100	1,031	100

Based on the two year total, the above loan distribution demonstrates that low and moderate-income borrowers combined received the majority of loans granted. Low-income borrowers received 17.7 percent of all used car loans, while moderate-income borrowers received 24.5 percent. Middle income borrowers received the largest single portion (33.7% by number and 36.2% by dollar volume) of loans granted, while loans to upper income borrowers represented 20.5 percent (by number) and 21.6 percent (by dollar volume) of the loans analyzed. The above loan analysis demonstrates a good distribution of loans among borrowers of different income levels, particularly among low- and moderate-income borrowers.

It should be noted that the majority of the above loans are granted to individuals. However, the comparison is to median family income which skews to some degree the distribution towards low and moderate-income borrowers. Nevertheless, the above analysis demonstrates that used auto loans are a credit product that continues to serve a cross-section of the credit union's membership.

HMDA-Reportable Loans

AllCom Credit Union makes loans reportable under the Home Mortgage Disclosure Act, including first mortgages, refinances and home equity loans. Due to its size limitations, the credit union first became a HMDA reporter in 2001. An analysis of HMDA loans originated during 2001 indicated that a total of 24 loans were made. Of these loans, 3, or 12.5 percent were made to moderate-income borrowers, 6 or 25.0 percent were made to middle-income borrowers, 13 or 54.2 percent were made to upper-income borrowers and 2 or 8.3 percent were designated as N/A.

The total dollar amount of loans originated in 2001 was \$2,477,000. Of this amount, \$1,495,000 went to upper-income borrowers, representing 60.3 percent of total dollars. Loans to moderate-income borrowers amounted to \$160,000 and represented 6.5 percent of loans; while loans to middle-income borrowers was \$641,000 and represented 25.9 percent of total loan dollars. N/A borrowers represented \$181,000 or 7.3 percent of all loans.

Given the distribution of consumer loans to low and moderate-income borrowers, as well as the distribution of HMDA-reportable loans, AllComm Credit Union is determined to have a satisfactory performance in lending to borrowers of different incomes.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The Massachusetts CRA regulation 209 CMR 46.00 allows a credit union whose membership by-laws provisions are not based on residence to designate its membership as its assessment area. Therefore, since AllCom Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

AllCom Credit Union received no CRA related complaints during the period under review. The institution's loan policies and CRA statement prohibit all illegal discrimination in the conduct of its lending and services activities. AllCom Credit Union has a satisfactory record of implementing fair lending policies and practices. The following discussion of the fair lending review is based on Regulatory Bulletin 2-3-101 guidelines.

Services and credit products are discussed at staff meetings held every six weeks. All new hires are encouraged to review training videos such as "Lending is an Attitude" and "The Fundamentals of CRA". The credit union offers an employee incentive program for loan referrals, encouraging tellers and service representative to know their loan products. All loan originators are salaried employees and are encouraged to provide efficient and speedy response to loan requests.

AllCom Credit Union offers fixed-rate mortgage loans with terms of 10, 15, and 30 years and a maximum loan to value (LTV) ratio of 80 percent. The credit union's real estate loan policy establishes qualifying ratios of 28 percent/36 percent (housing expense/total indebtedness to gross monthly income). AllCom Credit Union also offers home equity lines of credit and fixed rate home equity loans where the maximum LTV is 80 percent of appraised value. Additionally, the credit union offers a variety of consumer loan products. These products include new/recent used auto loans; which have a LTV of 95 percent and a maximum term of 5 years. Older used auto loans offer a LTV of 85 percent and terms up to 4 years. Unsecured personal loans are offered with maximum terms of 4 years and a minimum and maximum loan amount of \$500 and \$15,000, respectively. AllCom Credit Union offers VISA credit card lines from \$500 to \$10,000. These cards carry no annual fee and offer the same low rate of interest on all transactions.

The credit union's consumer loan policy allows for a qualifying ratio of 42.0 percent of gross monthly income for total indebtedness. Consumer loan applications with Debt to Income (DTI) ratios in excess of 42.0 percent requires the President/CEO's approval. In addition, all denied applications (for both consumer and mortgage loans) are reviewed by the CEO and the Credit Committee. AllCom Credit Union began a "Meet Your Credit Union Days" program in 2001. These visitations to work locations create awareness of the credit union's products and services and have resulted in an increase of new members.

MINORITY APPLICATION FLOW

During 2001, the credit union received 24 HMDA-reportable loan applications. Of these, 4 applications were from minorities, representing 16.7 percent of all applicants. All of the applications resulted in loan originations.

It should be noted that 2001 was the first year for which the credit union was required to report data under the Home Mortgage Disclosure Act.

Based upon the above information, the credit union's fair lending policies and practices are satisfactory.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

ALLCOM CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MARCH 5, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.